

CITY OF HARTFORD

TAX INCREMENT FINANCING POLICY

November 4, 2010

I. OVERVIEW:

Definition: Tax Increment Financing (TIF) is a financing mechanism through which the growth in taxes associated with new development is used by a public entity to pay costs associated with inducing private development for the public good.

Explanation: TIF bonds are issued by a state or municipality to generate funds to assist a private development. The debt service on the bonds is paid by the incremental taxes generated by the development, after its completion, over and above the taxes generated by the property before the development is undertaken.

Purpose: The City of Hartford will utilize the tool of Tax Increment Financing for the purpose of leveraging or encouraging private investment in Hartford, but only to the extent such investment would not otherwise take place in the city.

Public Benefits: It shall be the policy of the City of Hartford that Tax Increment Financing shall be utilized to achieve at least four of the following public benefits:

- To eliminate blighted and deteriorating conditions
- To promote industrial development
- To finance public improvements
- To retain and enhance existing development
- To attract new development
- To mitigate or remediate environmental problems
- To create full-time permanent jobs for Hartford residents
- To expand the tax base over time
- To stimulate other development which is dependent for success on the TIF project
- To promote a desirable mix of uses
- To encourage high quality architecture and creative design
- To preserve jobs
- To provide job training and retraining

II. PROCEDURES FOR TIF APPROVAL AND FUNDING:

The following procedures will be followed to effect approval and funding of a Tax Increment Finance assisted project in the City of Hartford.

1. The Hartford Redevelopment Agency shall determine the number of TIF districts to be established within the City and then designate those districts pursuant to the overall Economic Development Plan for the City.
2. Development Plans for each TIF district shall be prepared and approved by the Hartford Redevelopment Agency. (*See addendum for required components of development plan.*)
3. Any Development Plan approved by the Hartford Redevelopment Agency shall be forwarded to the Court of Common Council for its consideration; it being understood that each such plan shall be subject to, and shall not take effect until, it is approved by the Council.
4. Applications for TIF assistance shall be made pursuant to such forms and include such information as shall be designated by the Hartford Redevelopment Agency. To this end, the Hartford Redevelopment Agency shall, in due course, develop a formal application procedure by which any developer wishing to obtain TIF assistance may apply for the same.
5. Each application for TIF assistance which is received by the Hartford Redevelopment Agency shall be diligently reviewed by the Agency for the purpose of determining both (i) whether the proposed use of TIF meets the purpose, objectives, and requirements of the City's TIF Policy and Underwriting Guidelines, and (ii) the financial and experiential capacity of the developer.
6. In those instances where the Hartford Redevelopment Agency believes the use of TIF assistance is appropriate, it shall then negotiate a development agreement for execution by the City and the developer. Any such agreement shall be subject to the approval by the Court of Common Council.
7. TIF bonds only shall be authorized upon approval thereof by the Court of Common Council, after a public hearing. Further, no TIF bonds shall be issued except upon the recommendation of the Hartford Redevelopment Agency and after (i) an appropriate development agreement has been executed by the City and the developer, (ii) the Council has appropriated the subject tax increment in accordance with the terms of that agreement and applicable law, and (iii) all other pertinent legal prerequisites to the issuance of the bonds have been satisfied.

III. REQUIREMENTS:

It shall be the policy of the City of Hartford that the City will consider a project for assistance through Tax Increment Financing (“TIF”) only if all of the following requirements are met:

1. The TIF project must address at least four of the Public Benefits of the TIF program.
2. The developer is able to demonstrate that “but for” the TIF assistance requested, the project in question could not reasonably be expected to move forward.
3. The Court of Common Council has approved a Development Plan for the project area in question.
4. TIF assistance is provided to the proposed development only to the degree necessary to accomplish the proposed development and only in a prudent and fiscally responsible manner.
5. The Tax Assessor reviews and opines as to the tax increment projected to be realized from the proposed development.
6. Neither the developer nor any related or affiliated persons or entities (including all partners and corporate stockholders with a 25% or greater interest in the developer, directly or indirectly) are delinquent on City taxes or any other obligations to the City.
7. In determining the amount of TIF assistance to be provided to any specific project, consideration is given to the amount of TIF bonding already outstanding for all projects.
8. The City’s commitment to provide TIF assistance is contingent upon commencement of the project within a period not to exceed three (3) years from the date it is approved by the Council.
9. A legally binding development agreement is executed by the developer and the City.
10. The TIF development agreement meets or exceeds the requirements, as contained in Municipal Code for participation by MBEs, WBEs, and Hartford-based contractors in connection with “assisted project”.

IV. UNDERWRITING GUIDELINES:

In addition to ensuring that each TIF projects satisfied the requirements of Section II above, the Hartford Redevelopment Agency shall review each application for TIF assistance against the following guidelines. Any proposed TIF project which deviates from these guidelines shall not be recommended or approved absent both (i) a cogent written recommendation from the Hartford Redevelopment Agency which explains why it believes any such guidelines should not be adhered to in that instance, and (ii) the Court of Common Council subsequently approves such deviation(s), after a public hearing.

1. The amount of money needed to pay the annual debt service of the TIF bonds should not exceed 50% of the projected annual tax increment to be generated by the project.
2. The amortization period for any TIF bonds should not exceed twenty (20) years.
3. The ratio of private equity and debt financing to TIF funds should be at least 4 to 1.
4. The annual debt service coverage ration for the TIF bonds (i.e. the anticipated value of the annual tax increment pledged to repay the bonds over the annual payments of principal and interest on the bonds) should equal or exceed 1.25 to 1.
5. The proceeds of TIF bonds should be used for permanent financing and thus should be expended only after a project is substantially complete; it being the intent of this guideline that the City's agreement to provide any TIF funds should be contingent upon the prior or simultaneous funding of all private permanent financing necessary to assure the project's viability.
6. Where appropriate, and provided that the financing requirements of the proposed development can be met, a portion of the bond proceeds for any commercial or industrial TIF project should be reserved by the City for neighborhood improvements
7. Where possible, the TIF development agreement should contain job and job training provisions for construction and/or post-construction periods.
8. Appropriate deed restrictions should be placed on the TIF project to effect the policy objectives of the Development Plan.
9. An appropriate portion of the bond proceeds should be used to pay for additional municipal services or infrastructure required by the TIF project.
10. The developer should provide a letter of credit, bond insurance, or other credit enhancements as may be recommended by the City Treasurer to mitigate the financial risk to the City and its bondholders.
11. The developer should pay all costs incurred by the City in determining the financial feasibility (due diligence costs) of the proposed TIF.

ADDENDUM

Contents of Development Plan

The Development Plan will be prepared by the Hartford Redevelopment Agency in conjunction with City staff. Under the terms of State Statutes, the Plan must include:

1. a legal description of the land within the project area;
2. a description of the present condition and use of such land or building(s);
3. a description of the types and locations of land uses or building uses proposed for the project area.
4. a description of the types and locations of land uses or building uses proposed for the project area;
5. a description of the types and locations of present and proposed streets, sidewalks and other facilities and the locations of a proposed site improvements;
6. statements of the present and proposed zoning classification and subdivision status of the project area and the area adjacent to the project area;
7. a plan for relocating project area occupants, if any;
8. a financing plan;
9. an administrative plan;
10. a marketability and proposed land use study or building use study;
11. appraisal reports and title searches;
12. a statement of the number of jobs which the development agency anticipates would be created by the project; the number and types of existing housing units, in the municipality in which the project would be located and in contiguous municipalities, which would be available to employees filling such jobs;
13. findings that the land and building within the project area will be used primarily for industrial or business purposes; and
14. findings that the development plan is in accordance with the plans of development of the City of Hartford and of the Capitol Region Council of Governments and the State of Connecticut, if State money should be involved.